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C O N F I D E N T I A L SECTION 01 OF 02 NOUAKCHOTT 000322

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DEPT FOR AF/W AND EB/IFD (A. BESMER)

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SUBJECT: UPCOMING IMF BOARD MEETING--USG SUPPORT FOR  
MAURITANIA REQUESTED BY COL. FAL AND PRIME MINISTER

Classified By: Ambassador Joseph LeBaron, Reasons 1.4 (b),(d)

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(C) KEY POINTS  
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-- The Prime Minister called in Ambassador March 20 to press for USG support at an IMF Board Meeting in Washington next week, on Monday, the 27th.

-- The IMF Board is to consider waiving or delaying an \$18 million reimbursement by Mauritania for non-complying payments to the IMF, according to the Prime Minister.

-- Mauritania wants the USG to support waiving the \$18 million reimbursement. The non-complying reimbursement stems from Mauritania's misreporting in 2002.

-- Military Council leader Col. Fal made a similar request in a message passed to Ambassador, through the Foreign Minister, also on March 20.

-- Col. Fal and the Prime Minister also asked that the USG support, at an IMF Board Meeting scheduled for June 21, the immediate cancellation of Mauritania's debt under the G8 initiative.

-- Both Col. Fal and the Prime Minister said that the Mauritanian public perceives the IMF decision to delay debt cancellation as "sanctions," and IMF insistence on immediate repayment of non-complying disbursements would only add to that perception. Col. Fal asked that Mauritania's progress on the democratic transition also be taken into consideration.

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(C) COMMENTS  
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-- Mauritania has, in fact, made significant progress, both in its macroeconomic policies and in its transition toward democracy.

-- Much, of course, remains to be done. A presidential

election is still 12 months away, and Mauritania still has a way to go to fully comply with IMF conditions, including improving public finance management and budgetary transparency.

-- But Embassy believes USG support at the March 27th meeting would be a useful tool in encouraging the Mauritians to continue working hard on the ambitious transition timetable they have set for themselves.

-- Moreover, Mauritania is under an IMF Staff Monitored Program, so there is far less chance of Mauritania backsliding now.

End Key Points and Comments.

¶1. (C) Prime Minister Sidi Mohamed Ould Boubacar called in Ambassador on March 20 to seek USG support for Mauritania's efforts to convince the IMF Board to waive or delay any reimbursement of non-complying payments because of Mauritanian misreporting in 2002. The Board is scheduled to take up the matter on March 27. The Prime Ministers also requested USG support in canceling Mauritania's debt under the Multilateral Debt Reduction (G-8) Initiative at a scheduled June 21 Board session. Also attending the meeting was Foreign Minister Ahmed Ould Sid'Ahmed and Central Bank Governor Zeine Ould Zeidane.

¶2. (C) The Prime Minister noted that in its December 21 session, the IMF Board delayed the cancellation of Mauritania's debt pending demonstration of sound macroeconomic policies over a period of six months as well as well as other transparency measures, including providing corrected data to the Fund. During its discussions with an

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IMF mission in January for a Staff Monitored Program, the transitional government had pressed to have the IMF consider the period to be the last quarter of 2005 and the first quarter of 2006 rather than to wait for the results of the SMP in June.

¶3. (C) The Prime Minister's other concern was that the Board was to meet on March 27 to discuss repayment of non-complying disbursements for 2002 totaling 12 SDR or about \$18 million. The Prime Minister asked for USG support to have the repayment waived entirely, and failing that have some or all of the repayment delayed until after June, at which time it would become part of the debt cancellation.

¶4. (C) The Prime Minister said that the Mauritanian public viewed the delay in debt cancellation as "sanctions" against Mauritania and not as the result of the practices of the previous government. Requiring immediate repayment of 2002 non-complying disbursements would only add to tensions inside Mauritania, a situation that would be unwelcome at this delicate time in the transition.

¶5. (C) Ambassador replied he would convey the transitional government's request to Washington.

¶6. (C) The Central Bank Governor later told DCM he is confident that Mauritania will be close to meeting IMF conditions when a mission comes in April to review Mauritania's progress and that the Board will be able to vote to cancel Mauritania's debt in June.

¶7. (C) He remained concerned, however, of the Director General's decision to recommend to the Board on March 27 to have Mauritania repay 2 million SDR within 30 days and 10 million SDR by June 15. If the Board agreed, then at the end of the SMP in June Mauritania will have only nine days cash reserves vice 21 days reserves at the start of the SMP in January, which would be an odd result. On the other hand, if the IMF delayed repayment until after June (rather than waiving outright the repayment, a rare occurrence), the

repayment would be cancelled along with the other debt, but only after the IMF is satisfied with Mauritania's transparency and other macroeconomic policies, and that the monies will go to decrease poverty.

LeBaron